

YEAR 1998

ANNUAL REPORT  
OF

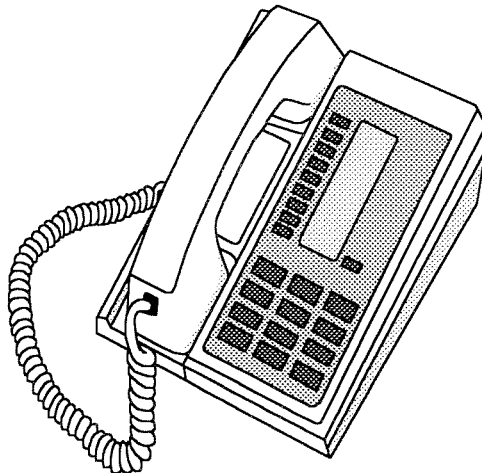
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MONT. P. S. COMMISSION

# Valley Telecommunications

## TELEPHONE UTILITY



TO THE  
PUBLIC SERVICE COMMISSION  
STATE OF MONTANA  
1701 PROSPECT AVENUE  
P.O. BOX 202601  
HELENA, MT 59620-2601

Check No. 17690  
Valley Telecommunications Inc.

# Telephone Annual Report

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# Telephone Annual Report

## Instructions

### General

1. A Microsoft EXCEL 97 workbook of the annual report is being provided on computer disk for your convenience. The workbook contains the schedules of the annual report. Each schedule is on the worksheet named that schedule. For example, Schedule 1 is on the sheet titled "Schedule 1". By entering your company name in the cell named "Company" of the first worksheet, the spreadsheet will put your company name on all the worksheets in the workbook. The same is true for inputting the year of the report in the cell named "YEAR". You can "GOTO" the proper cell by using the F5 key and selecting the name of the cell.
2. The workbook contains input sections that are unprotected, and non-input sections that are protected. Cell protection can be disabled or enabled through "TOOLS – PROTECTION – UNPROTECT SHEET" on your toolbar. Formulas and checks are built into most of the templates.
3. Use of the disk is optional. The disk and the report cover shall be returned when the report is filed. There are macros built into the workbook to assist you with the report. An explanation of the macros is on the "Control" worksheet at the front of the workbook. The explanations start at cell A1.
4. All forms must be filled out in permanent ink and be legible. Note: Even if the computer disk is used, a printed version of the report shall be filed. The orientation and margins are set up on each individual worksheet and should print on one page. If you elect not to use the disk, please format your reports to fit on one 8.5" by 11" page with the left binding edge (top if landscaped) set at .85", the right edge (bottom if landscaped) set at .4", and the remaining two margins at .5". You may select specific schedules to print – See the worksheet "CONTROL".
5. Unless otherwise indicated, all information required in these schedules shall be from the accounts prescribed in 47 C.F.R. Part 32 and the definitions and instructions therein will apply to this report wherever applicable.
6. Information on financial schedules may be rounded to thousands of dollars for companies with over 5,000 access lines. Companies submitting schedules rounded to thousands should so indicate at the top of the schedule.
7. Where more space is needed or more than one schedule is needed additional schedules may be attached and should be included directly behind the original schedule to which it pertains and be labeled accordingly (for example, Schedule 1A).
8. The information required with respect to any statement shall be furnished as a minimum requirement to which shall be added such further information as is necessary to make the required schedules not misleading.

9. The following schedules should be filled out with information on a total company basis:

Schedules 1 - 4  
Schedule 10  
Schedules 13 - 17  
Schedule 19  
Schedule 20, Page 1 of 2  
Schedules 33 and 34

All other schedules should be filled out with Montana specific data. Financial schedules should include all amounts originating in Montana or allocated to Montana from other jurisdictions.

10. All companies owned by another company shall attach a corporate structure chart of the holding company.
11. The following schedules are not required to be filled out or submitted by companies with less than 5,000 access lines:
- Schedule 6  
Schedules 17 and 18  
Schedule 21
12. Schedules that have no activity during the year or are not applicable to the respondent should be marked as not applicable and submitted with the report.
13. Companies with under 5,000 lines may use summary accounts and should leave lines for subaccounts blank. Summary accounts are noted with an asterisk and subaccounts that are not required are noted with a caret.
14. Companies with over 5,000 lines must complete schedules to all required subaccount detail.
15. FCC Form M sheets may not be substituted in lieu of completing annual report schedules.
16. Common sense must be used when filling out all schedules.

### **Specific Instructions**

#### **Schedules 3 through 9**

1. **Schedules 3, 4, and 9** should include all notes to the financial statements required by the FCC or included in the financial statements issued as audited financial statements. These notes should be included in the report directly behind the schedules and should be labeled appropriately (Schedule 3A, etc.).
2. **Schedule 5** may be omitted for companies doing business only in Montana.
3. **Schedule 6** is not required for companies with under 5,000 lines.

4. **Schedule 7** must be completed by all companies. For companies under 5,000 lines, this schedule may be completed on a total state basis. Any such company completing the form on a total state basis shall indicate this fact clearly on the form.
5. **Schedule 8** - Companies with less than 5,000 lines are not required to fill out the intrastate portion. The regulated rate base must be separated from the deregulated rate base but this may be done on a total state basis. Any company so doing shall clearly indicate this on the form.
6. Only accounts designated on **Schedule 8** may be included in rate base. Only companies who have specifically been authorized in a Commission order to include cash working capital in rate base may fill out line 8 on Schedule 8. Cash working capital must be calculated using the methodology approved in the Commission order. The most recent Commission Order, and Docket, specifying cash working capital shall be noted on the schedule.
7. **Schedule 9** - Instructions to complete are similar to those used for the Statement of Cash Flows in the FCC Form M.

#### **Schedule 10**

1. For the purpose of this schedule, nonofficial companies shall include any company in which the respondent has an ownership interest which does not meet the definition of an affiliated company set out in 47 C.F.R. Section 32.9000. This schedule shall not include telecommunications accounts receivable from other customers.

#### **Schedule 11**

1. All amounts listed in Column f that represent individual items for which the higher of cost or market value was in excess of \$50,000 for companies with under 5,000 lines and in excess of \$100,000 for companies with over 5,000 lines must be fully explained in notes to this schedule. The explanation must include the plant description and location, the original cost, the net book cost, the market value, the value at which it was transferred or the price at which it was sold, and the party to which it was transferred or sold.

#### **Schedule 12**

1. Respondents shall list each item amounting individually to \$100,000 or more and report all others in the aggregate.
2. Amounts in Column f relating to individual items exceeding \$50,000 shall be fully explained.

#### **Schedule 15**

1. Line 1 must be completed by all companies for the most recent calendar year. The retention and price/earnings ratios shall be calculated on a year end basis. Enter the actual year end market price in the "Year Ended" row. If the computer disk is used, enter the year end market price in the "High" column.
2. Lines starting at 9 shall be completed for each of the twelve months of the report year for all companies with over 5,000 access lines. Earnings per share and dividends per share shall be reported on a quarterly basis and entries shall be made only to the months that end the respective quarters (for example, March, June, September, and December.)

**Schedule 19**

1. All companies are required to submit this form. Companies with more than one plan (for example, both a retirement plan and a deferred savings plan) shall complete a schedule for each plan.
2. Companies with defined benefit plans must complete the entire form using FASB 87 and 132 guidelines.
3. Interest rate percentages shall be listed to two decimal places.

**Schedule 20**

1. All changes to the employee benefit plans shall be explained in a narrative on lines 15 and 16. All cost containment measures implemented in the reporting year shall be explained and quantified in a narrative on lines 15 & 16. All assumptions used in quantifying cost containment results shall be disclosed.
2. The schedule shall be filled out using FASB 106 and 132 guidelines.

**Schedule 21**

1. Respondents shall disclose all payments made during the year where the aggregate payment to the recipient was \$25,000 or more. Payments must include fees, retainers, commissions, gifts, contributions, assessments, bonuses, subscriptions, allowances for expenses or any other form of payment for services or as a donation.

**Schedule 23**

1. Respondents shall provide an attached sheet detailing the type and corresponding number of access lines for all entries in Column L (Other).

**Schedule 24**

1. Column (b). For each wire center that has a configuration of "Remote", Column (b) shall also reflect the respective "Host".
2. Column (c). Examples of Types of Switches are: Digital, Step by Step, and Crossbar.

**Schedule 25**

1. This schedule must be completed by all companies for the year following the reporting year.

**Schedule 26**

1. Respondents shall either report construction technicians and splicers as separate categories or footnote the appropriate categories and indicate the number of (1) construction technicians; and (2) splicers.

#### **Schedule 27**

1. Include in column (d) ALL additional forms of compensation, including, but not limited to: deferred compensation, deferred savings plan, profit sharing, supplemental or non-qualified retirement plan, employee stock ownership plan, restricted stock, stock options, stock appreciation rights, performance share awards, dividend equivalent shares, mortgage payments, use of company cars or car lease payments, tax preparation consulting, financial consulting, home security systems, company-paid physicals, subscriptions to periodicals, memberships, association or club dues, tuition reimbursement, employee discounts, and spouse travel.
2. The above compensation items shall be listed separately. Where more space is needed additional schedules may be attached and shall be included directly behind the original schedule to which it pertains.
3. If respondent is claiming protected status of salary information both a proprietary and non-proprietary copy of this schedule shall be filed. On the non-proprietary copy respondent shall indicate which columns respondent maintains are proprietary. A note stating that such information is being provided separately shall be included on the schedule. In no case shall either Column (a) - Name/Position, or Column (g) - Percent Increase Total Compensation, be considered proprietary. Respondent shall provide all requested information on the proprietary copy.

#### **Schedule 28**

1. Respondents shall provide all executive compensation information in conformance with that required by the Securities and Exchange Commission (SEC) (Regulation S-K Item 402, Executive Compensation).
2. Include in column (d) ALL additional forms of compensation, including, but not limited to: deferred compensation, deferred savings plan, profit sharing, supplemental or non-qualified retirement plan, employee stock ownership plan, restricted stock, stock options, stock appreciation rights, performance share awards, dividend equivalent shares, mortgage payments, use of company cars or car lease payments, tax preparation consulting, financial consulting, home security systems, company-paid physicals, subscriptions to periodicals, memberships, association or club dues, tuition reimbursement, employee discounts, and spouse travel.
3. All items included in Column (d) - Other Compensation shall be listed separately. Where more space is needed additional schedules may be attached and shall be included directly behind the original schedule.
4. In addition, respondents shall attach a copy of the executive compensation information provided to the SEC.

#### **Schedule 29**

1. Information from this schedule is consolidated with information from other Utilities and reported to the National Association of Regulatory Utility Commissioners (NARUC). Your assistance in completing this schedule, even though information may be located in other areas of the annual report, expedites reporting to the NARUC and is appreciated.



**Schedules 33 and 34**

1. Respondents shall report all transactions with affiliated companies.
2. Column (c). Respondents shall indicate in column (c) the method used to determine the price. Respondents shall indicate if a contract is in place between the Affiliate and the Utility. If a contract is in place, respondents shall indicate the year the contract was initiated, the term of the contract and the method used to determine the contract price.
3. Column (c). If the method used to determine the price is different than the previous year, respondents shall provide an explanation, including the reason for the change.

**Schedule 35**

1. Respondents shall provide an attached sheet detailing the account and the amount for all entries made to Lines 9 and 16.
2. Only companies who have specifically been authorized in a Commission Order to include cash working capital in rate base may include cash working capital in lines 9 or 16. Cash working capital must be calculated using the methodology approved in the Commission Order. The Commission Order specifying cash working capital shall be noted on the attached sheet.
3. Respondents shall indicate, for each adjustment on lines 30 through 42, if the amount is updated or if it is from the last rate case. All adjustments shall be calculated using Commission methodology.

**Schedule 36**

1. Respondents shall list the amount of tax accrued or paid for the fiscal year attributable to Montana sources for each of the listed taxes

**Schedule 37**

1. Respondents shall list the amount of Universal Service Funds received from Montana and from the federal government.

**General Information**

Year: 1998

1. Legal Name of Respondent: Valley Telecommunications, Incorporated.
2. Name Under Which Respondent Does Business: Valley Telecommunications, Inc.
3. Date of Incorporation: May 21, 1993
4. Address to send Correspondence Concerning Report: PO BOX 600  
SCOBEEY, MT 59263
5. Person Responsible for This Report: Ross Fladager
- 5a. Telephone Number: (406) 783-5654

**Control Over Respondent**

1. If direct control over the respondent was held by another entity at the end of year provide the following:
  - 1a. Name and address of the controlling organization or person: Nemont Telephone Coop., Inc.  
PO Box 600  
Scobey, MT 59263
  - 1b. Means by which control was held: Stock Ownership
  - 1c. Percent Ownership: 100%

<b>Board of Directors</b>		
Line No.	Name of Director and Address (City, State) (a)	Fees Paid During Year (b)
1	Dayton Cherney #90 Cherney Rd., Nashua, MT 59248	350
2	James Mosser HCR 1 Box 3, Fortuna, ND 58844	150
3	Robert Heikens HC 81 Box 275, Nashua, MT 59248	550
4	Charles McVee 182 McVee Rd., Glasgow, MT 59230	550
5	Greg Miller 880 Brush Lake Rd., Reserve, MT 59258	150
6	Orvis Nelson 534 Biglake Rd., Homestead, MT 59242	550
7	Roy Neufeld HC 67 Box 138, Larslan, MT 59244	450
8	James Shipstead Box 538, Scobey, MT 59263	550
9	Vernon Stoner Box 277, Outlook, MT 59252	150
10	Gary Klind Box 445, Hinsdale, MT 59241	150
11		
12		
13		
14		
15		
16		
17		
18	<b>Chairman of the Board:</b>	
19	Ben Boreson Box 224, Opheim, MT 59250	550
20		

## Officers

Year: 1998

Line No.	Title of Officer (a)	Department Over Which Jurisdiction is Exercised (b)	Name and Address of Person Holding Office at Year End (c)
1	President		Ben Boreson, Opheim, MT 59250
2	Vice President		Robert Heikens, Nashua, MT 59248
3	Secretary/Treasurer		Orvis Nelson, Homestead, MT 59242
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## Total Company Balance Sheet

Year: 1998

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1		<b>CURRENT ASSETS:</b>		
2	1120	Cash and Equivalents	1,071,682	1,023,226
3	1180	Telecommunications Accounts Receivable - Net	271,907	302,770
4	1190	Other Accounts Receivable - Net	811,365	981,194
5	1200	Notes Receivable - Net		
6	1210	Interest and Dividends Receivable	3,337	4,588
7	1220	Materials and Supplies		
8	* 1280	Prepayments	10,167	49,530
9	^ 1290	Prepaid Rents		
10	^ 1300	Prepaid Taxes		
11	^ 1310	Prepaid Insurance		172
12	^ 1320	Prepaid Directory Expenses		521
13	^ 1330	Other Prepayments	10,167	48,837
14	1350	Other Current Assets		
15		<b>Total Current Assets</b>	2,168,458	2,361,308
16		<b>NONCURRENT ASSETS:</b>		
17	1401	Investments in Affiliated Companies		
18	1402	Investments in Nonaffiliated Companies	901,081	905,465
19	1406	Nonregulated Investments		
20	1407	Unamortized Debt Issuance Expense		
21	1408	Sinking Funds		
22	1410	Other Noncurrent Assets		
23	1438	Deferred Maintenance and Retirements		
24	1439	Deferred Charges		
25	1500	Other Jurisdictional Assets - Net		
26		<b>Total Noncurrent Assets</b>	901,081	905,465
27		<b>PROPERTY, PLANT, &amp; EQUIPMENT:</b>		
28	2001	Telecommunications Plant in Service	15,541,875	13,453,765
29	2002	Property Held for Future Telecommunications Use		
30	2003	Plant Under Construction - Short Term	118,747	62,458
31	2004	Plant Under Construction - Long Term		
32	2005	Telecommunications Plant Adjustment	5,233,454	5,233,454
33	2006	Nonoperating Plant		
34	2007	Goodwill		
35	3100	Accumulated Depreciation	(1,954,276)	(1,347,992)
36	3200	Accumulated Depreciation - Held for Future Use		
37	3300	Accumulated Depreciation - Nonoperating		
38	3400	Accumulated Amortization	(1,570,036)	(1,221,139)
39		<b>Net Property, Plant, &amp; Equipment</b>	17,369,764	16,180,546
40		<b>TOTAL ASSETS</b>	20,439,303	19,447,319

^ Subaccount of account marked with a \*.

## Total Company Balance Sheet

Year: 1998

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
41		<b>CURRENT LIABILITIES:</b>		
42	4010	Accounts Payable	966,792	505,503
43	4020	Notes Payable		
44	4030	Advance Billing and Payments		
45	4040	Customer Deposits	54,674	52,860
46	4050	Current Maturities - Long Term Debt	122,007	130,646
47	4060	Current Maturities - Capital Leases		
48	4070	Income Taxes - Accrued	68,812	(103,894)
49	4080	Other Taxes - Accrued	352,433	321,914
50	4100	Net Current Deferred Operating Income Taxes		
51	4110	Net Current Deferred Nonoperating Income Taxes		
52	4120	Other Accrued Liabilities		
53	4130	Other Current Liabilities	126,402	118,788
54		<b>Total Current Liabilities</b>	1,691,120	1,025,817
55		<b>LONG-TERM DEBT:</b>		
56	4210	Funded Debt	10,875,812	11,755,408
57	4220	Premium on Long-Term Debt		
58	4230	Discount on Long-Term Debt		
59	4240	Reacquired Debt		
60	4250	Obligations Under Capital leases		
61	4260	Advances From Affiliated Companies		
62	4270	Other Long-Term Debt		
63		<b>Total Long-Term Debt</b>	10,875,812	11,755,408
64		<b>OTHER LIABILITIES AND DEFERRED CREDITS:</b>		
65	4310	Other Long-Term Liabilities		
66	4320	Unamort. Oper. Invest. Tax Credits - Net		
67	4330	Unamort. Nonoper. Invest. Tax Credits - Net		
68	4340	Net Noncurrent Deferred Oper. Income Taxes	1,030,486	835,375
69	4350	Net Noncurrent Deferred Nonoper. Income Taxes		
70	4360	Other Deferred Credits		
71	4370	Other Jurisdictional Liab. and Def. Credits		
72		<b>Total Other Liabilities and Deferred Credits</b>	1,030,486	835,375
73		<b>STOCKHOLDERS' EQUITY:</b>		
74	4510	Capital Stock	3,500,000	3,500,000
75	4520	Additional Paid-In Capital		
76	4530	Treasury Stock		
77	4540	Other Capital		
78	4550	Retained Earnings	3,341,884	2,330,719
79		<b>Total Stockholders' Equity</b>	6,841,884	5,830,719
80		<b>TOTAL LIAB. AND STOCKHOLDERS' EQUITY</b>	20,439,302	19,447,319

## Total Company Income Statement

Year: 1998

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1		<b>REVENUES:</b>		
2	5000	Basic Local Service Revenues	1,955,606	1,855,009
3	5080	Network Access Revenues	5,391,599	4,857,143
4	* 5100	Long Distance Message Revenue	287,841	300,294
5	^ 5110	Unidirectional Long Distance Revenue		
6	^ 5120	Long Distance Private Network Revenue		
7	^ 5160	Other Long Distance Revenue	287,841	300,294
8	^ 5169	Other Long Distance Revenue Settlements		
9	* 5200	Miscellaneous Revenue	598,627	640,945
10	^ 5230	Directory Revenue	43,086	40,883
11	^ 5240	Rent Revenue	424,920	419,441
12	^ 5250	Corporate Operations Revenue		
13	^ 5260	Miscellaneous Revenue	4,484	12,914
14	^ 5270	Carrier Billing and Collection Revenue	126,137	167,707
15	^ 5280	Nonregulated Revenue		
16	5300	Uncollectible Revenue	11,762	18,810
17		<b>Total Revenues (L.2+L.3+L.4+L.9-L.16)</b>	8,221,911	7,634,581
18		<b>OPERATING EXPENSES:</b>		
19	6110	Network Support Expense	14,067	19,724
20	6120	General Support Expense	410,752	394,917
21	6210	Central Office Switching Expense	443,514	277,382
22	6220	Operator Systems Expense		
23	6230	Central Office Transmission Expense	414,370	356,792
24	6310	Information Origination/Termination Expense		11,004
25	* 6410	Cable and Wire Facilities Expense	933,202	879,927
26	^ 6431	Aerial Wire Expense		
27	^ 6441	Conduit Systems Expense		
28	6510	Other Property, Plant & Equipment Expense		
29	6530	Network Operations Expense	167,738	161,349
30	6540	Access Expense	41,775	
31	6560	Depreciation and Amortization Expense	1,429,273	1,407,260
32	6610	Marketing	15,369	21,883
33	6620	Services	528,530	479,699
34	6710	Executive and Planning	128,704	140,904
35	6720	General and Administrative	743,262	817,589
36	6790	Provision for Uncollectible Notes Receivable		
37		<b>Total Operating Expenses (Sum L.19 to L.36-L.26-L.27)</b>	5,270,556	4,968,430
38	7100	Other Operating Income and Expense		
39	7200	Operating Taxes	1,198,650	1,089,412
40		<b>Net Operating Income (L.17-L.37+L.38-L.39)</b>	1,752,705	1,576,739
41	7300	Nonoperating Income and Expense	189,660	194,459
42	7400	Nonoperating Taxes	0	267,621
43	7500	Interest and Related Items	727,311	778,282
44	7600	Extraordinary Items	203,945	(953,341)
45	7910	Effects of Juris. Ratemaking Diff. - Net		
46	7990	Nonregulated Net Income	(58)	(499)
47		<b>NET INCOME (L.40+L.41-L.42-L.43-L.44+L.45-L.46)</b>	1,011,167	1,679,135

^ Subaccount of the account marked with a \*.

## Montana Total State Income Statement

Year: 1998

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1		<b>REVENUES:</b>		
2	5000	Basic Local Service Revenues	Not Applicable All Business Done in Montana	
3	5080	Network Access Revenues		
4	* 5100	Long Distance Message Revenue		
5	^ 5110	Unidirectional Long Distance Revenue		
6	^ 5120	Long Distance Private Network Revenue		
7	^ 5160	Other Long Distance Revenue		
8	^ 5169	Other Long Distance Revenue Settlements		
9	* 5200	Miscellaneous Revenue		
10	^ 5230	Directory Revenue		
11	^ 5240	Rent Revenue		
12	^ 5250	Corporate Operations Revenue		
13	^ 5260	Miscellaneous Revenue		
14	^ 5270	Carrier Billing and Collection Revenue		
15	^ 5280	Nonregulated Revenue		
16	5300	Uncollectible Revenue		
17		<b>Total Revenues (L.2+L.3+L.4+L.9-L.16)</b>	#VALUE!	
18		<b>OPERATING EXPENSES:</b>		
19	6110	Network Support Expense		
20	6120	General Support Expense		
21	6210	Central Office Switching Expense		
22	6220	Operator Systems Expense		
23	6230	Central Office Transmission Expense		
24	6310	Information Origination/Termination Expense		
25	* 6410	Cable and Wire Facilities Expense		
26	^ 6431	Aerial Wire Expense		
27	^ 6441	Conduit Systems Expense		
28	6510	Other Property, Plant & Equipment Expense		
29	6530	Network Operations Expense		
30	6540	Access Expense		
31	6560	Depreciation and Amortization Expense		
32	6610	Marketing		
33	6620	Services		
34	6710	Executive and Planning		
35	6720	General and Administrative		
36	6790	Provision for Uncollectible Notes Receivable		
37		<b>Total Operating Expenses (Sum L.19 to L.36-L.26-L.27)</b>		
38	7100	Other Operating Income and Expense		
39	7200	Operating Taxes		
40		<b>Net Operating Income (L.17-L.37+L.38-L.39)</b>	#VALUE!	

^ Subaccount of the account marked with a \*.

## Montana Intrastate Income Statement

Year: 1998

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1		<b>REVENUES:</b>		
2	5000	Basic Local Service Revenues	1,955,606	1,855,009
3	5080	Network Access Revenues	1,471,812	4,857,143
4	* 5100	Long Distance Message Revenue	287,841	300,294
5	^ 5110	Unidirectional Long Distance Revenue		
6	^ 5120	Long Distance Private Network Revenue		
7	^ 5160	Other Long Distance Revenue	287,841	300,294
8	^ 5169	Other Long Distance Revenue Settlements		
9	* 5200	Miscellaneous Revenue	598,627	640,945
10	^ 5230	Directory Revenue	43,086	40,883
11	^ 5240	Rent Revenue	424,920	419,441
12	^ 5250	Corporate Operations Revenue		
13	^ 5260	Miscellaneous Revenue	4,484	12,914
14	^ 5270	Carrier Billing and Collection Revenue	126,137	167,707
15	^ 5280	Nonregulated Revenue		
16	5300	Uncollectible Revenue	11,762	18,810
17		<b>Total Revenues (L.2+L.3+L.4+L.9-L.16)</b>	4,302,124	7,634,581
18		<b>OPERATING EXPENSES:</b>		
19	6110	Network Support Expense	14,067	19,724
20	6120	General Support Expense	410,752	394,917
21	6210	Central Office Switching Expense	443,514	277,382
22	6220	Operator Systems Expense		
23	6230	Central Office Transmission Expense	414,370	356,792
24	6310	Information Origination/Termination Expense		11,004
25	* 6410	Cable and Wire Facilities Expense	933,202	879,927
26	^ 6431	Aerial Wire Expense		
27	^ 6441	Conduit Systems Expense		
28	6510	Other Property, Plant & Equipment Expense		
29	6530	Network Operations Expense	167,738	161,349
30	6540	Access Expense	41,775	
31	6560	Depreciation and Amortization Expense	1,429,273	1,407,260
32	6610	Marketing	15,369	21,883
33	6620	Services	528,530	479,699
34	6710	Executive and Planning	128,704	140,904
35	6720	General and Administrative	743,262	817,589
36	6790	Provision for Uncollectible Notes Receivable		
37		<b>Total Operating Expenses (Sum L.19 to L.36-L.26-L.27)</b>	5,270,556	4,968,430
38	7100	Other Operating Income and Expense		
39	7200	Operating Taxes	1,198,650	1,089,412
40		<b>Net Operating Income (L.17-L.37+L.38-L.39)</b>	(2,167,082)	1,576,739

^ Subaccount of the account marked with a \*.



## Montana Intrastate Regulated Income Statement

Year: 1998

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1		<b>REVENUES:</b>		
2	5000	Basic Local Service Revenues	1,955,606	1,855,009
3	5080	Network Access Revenues	1,471,812	4,857,143
4	* 5100	Long Distance Message Revenue	287,841	300,294
5	^ 5110	Unidirectional Long Distance Revenue		
6	^ 5120	Long Distance Private Network Revenue		
7	^ 5160	Other Long Distance Revenue	287,841	300,294
8	^ 5169	Other Long Distance Revenue Settlements		
9	* 5200	Miscellaneous Revenue	598,627	640,945
10	^ 5230	Directory Revenue	43,086	40,883
11	^ 5240	Rent Revenue	424,920	419,441
12	^ 5250	Corporate Operations Revenue		
13	^ 5260	Miscellaneous Revenue	4,484	12,914
14	^ 5270	Carrier Billing and Collection Revenue	126,137	167,707
15	^ 5280	Nonregulated Revenue		
16	5300	Uncollectible Revenue	11,762	18,810
17		<b>Total Revenues (L.2+L.3+L.4+L.9-L.16)</b>	4,302,124	7,634,581
18		<b>OPERATING EXPENSES:</b>		
19	6110	Network Support Expense	14,067	19,724
20	6120	General Support Expense	410,752	394,917
21	6210	Central Office Switching Expense	443,514	277,382
22	6220	Operator Systems Expense		
23	6230	Central Office Transmission Expense	414,370	356,792
24	6310	Information Origination/Termination Expense		11,004
25	* 6410	Cable and Wire Facilities Expense	933,202	879,927
26	^ 6431	Aerial Wire Expense		
27	^ 6441	Conduit Systems Expense		
28	6510	Other Property, Plant & Equipment Expense		
29	6530	Network Operations Expense	167,738	161,349
30	6540	Access Expense	41,775	
31	6560	Depreciation and Amortization Expense	1,429,273	1,407,260
32	6610	Marketing	15,369	21,883
33	6620	Services	528,530	479,699
34	6710	Executive and Planning	128,704	140,904
35	6720	General and Administrative	743,262	817,589
36	6790	Provision for Uncollectible Notes Receivable		
37		<b>Total Operating Expenses (Sum L.19 to L.36-L.26-L.27)</b>	5,270,556	4,968,430
38	7100	Other Operating Income and Expense		
39	7200	Operating Taxes	1,198,650	1,089,412
40		<b>Net Operating Income (L.17-L.37+L.38-L.39)</b>	(2,167,082)	1,576,739

^ Subaccount of the account marked with a \*

**Average Rate Base - Total State**

Year: 1998

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1	2001	Telecommunications Plant in Service	15541875	13453765
2	3100	Accumulated Depreciation	1954276	1347992
3	2002	Property Held for Future Telecommunications Use		
4	3200	Accumulated Depreciation - 2002		
5	1220	Materials and Supplies		
6	4340	Noncurrent Deferred Operating Income Taxes	1030486	835375
7		Pre-1971 Unamortized Investment Tax Credits		
8		Cash Working Capital (if allowed by Commission)		
9		<b>Total Average Rate Base (L.1-L.2+L.3-L.4+L.5-L.6-L.7+L.8)</b>	12557113	11270398

**Average Rate Base - Intrastate**

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1	2001	Telecommunications Plant in Service	15541875	13453765
2	3100	Accumulated Depreciation	1954276	1347992
3	2002	Property Held for Future Telecommunications Use		
4	3200	Accumulated Depreciation - 2002		
5	1220	Materials and Supplies		
6	4340	Noncurrent Deferred Operating Income Taxes	1030486	835375
7		Pre-1971 Unamortized Investment Tax Credits		
8		Cash Working Capital (if allowed by Commission)		
9		<b>Total Average Rate Base (L.1-L.2+L.3-L.4+L.5-L.6-L.7+L.8)</b>	12557113	11270398

**Average Rate Base - Regulated Intrastate**

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1	2001	Telecommunications Plant in Service	15541875	13453765
2	3100	Accumulated Depreciation	1954276	1347992
3	2002	Property Held for Future Telecommunications Use		
4	3200	Accumulated Depreciation - 2002		
5	1220	Materials and Supplies		
6	4340	Noncurrent Deferred Operating Income Taxes	1030486	835375
7		Pre-1971 Unamortized Investment Tax Credits		
8		Cash Working Capital (if allowed by Commission)		
9		<b>Total Average Rate Base (L.1-L.2+L.3-L.4+L.5-L.6-L.7+L.8)</b>	12557113	11270398

## Statement of Cash Flows

Year: 1998

Line No.	Item Description (a)	Amount (b)	Amount (c)
1	<b>Increase/(decrease) in Cash &amp; Cash Equivalents</b>		
2	<b>Cash Flows from Operating Activities:</b>		
3	Net Income		
4	Reconciliation Adjustments:		
5	Depreciation & Amortization	Information available in the 1998 Audit Report	
6	Provision for Accounts Receivable Losses		
7	Deferred Income Taxes - Net		
8	Unamortized Investment Tax Credits (ITCs) - Net		
9	Allowance for Funds Used During Construction (AFUDC)		
10	Change in Operating Receivables - Net		
11	Change in Materials, Supplies & Inventories - Net		
12	Change in Operating Payables & Accrued Liabilities - Net		
13	Change in Other Assets & Deferred Credits - Net		
14	Change in Other Liabilities & Deferred Credits - Net		
15	Other (explained on back of this page)		
16	Total Adjustments		
17	<b>Net Cash Provided by/(Used in) Operating Activities</b>		
18	<b>Cash Inflows/Outflows From Investing Activities:</b>		
19	Construction/Acquisition of Property, Plant & Equipment (net of		
20	AFUDC & Capital Lease Related Acquisitions)		
21	Proceeds from Disposals of Property, Plant & Equipment		
22	Investments In & Advances to Affiliates		
23	Proceeds from Repayment of Advances		
24	Other Investing Activities (explained on back of this page)		
25	<b>Net Cash Provided by/(Used in) Investing Activities</b>		
26	<b>Cash Flows from Financing Activities:</b>		
27	Net Incr./(Decr.) in Short-Term Debt, Original maturity <= 3 mo.		
28	Advances from Affiliates		
29	Repayment of Advances from Affiliates		
30	Proceeds from Issuances of Long-Term Debt		
31	Repayment of Long-Term Debt		
32	Payment of Capital Lease Obligations		
33	Proceeds from Issuing Common Stock/Parent Co. Equity Investment		
34	Repurchase of Treasury Shares		
35	Dividends Paid		
36	Other Financing Activities (explained on back of this page)		
37	<b>Net Cash Provided by Financing Activities</b>		
38	<b>Effect of Exchange Rate Changes on Cash</b>		
39	<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents</b>		
40	<b>Cash &amp; Cash Equivalents at Beginning of Period</b>		
41	<b>Cash &amp; Cash Equivalents at End of Period</b>		

Company Name: Valley Telecommunications, Inc.

SCHEDULE 10

Receivables and Investments-Affiliated & Nonaffiliated Companies ar. 1998

Line No.	Name of Affiliate or Company (a)	Account 1160 Temporary Investments (b)	Account 1180 Telecom. Accounts Receivable (c)	Account 1181 Accts. Rec. Allowance (d)	Account 1190 Other Accounts Receivable (e)	Account 1191 Accounts Receivable Allow. - Other (f)	Account 1200 Notes Receivable (g)	Account 1201 Notes Receivable Allowance (h)	Account 1210 Interest and Dividends Receivable (i)	Account 1401 Investments in Affil. Companies (j)	Account 1402 Investments in Nonaffil. Companies (k)
1	NRUCFC	560334							3337		
2	AT&T				218528						
3	US WEST				38596						
4	NEMONT COMM. INC.				25397						
5	NCRPC				11784						
6	NECA				151508						
7	SAGEBRUSH CELL.				7997						
8	MISC. LD CARRIERS				290688						
9	NEMONT TELEPHONE				66867						
10	CAPITAL CREDITS										212180
11	RTFC										588851
12	NCDC										100050
13											
14											
15											
16											
17											
18											
19											
20											
21											
22											
23											
24											
25											
26											
27											
28											
29											
30	Totals	560334			811365				3337		901081

## Net Plant in Service - Detail

Year: 1998

Line No.	Account (a)	Description (b)	Beginning of Year Balance (c)	Additions (d)	Retirements (e)	Sales & Transfers (f)	End of Year Account 2001 Balance (g)	Year End Accumulated Depreciation (h)	End of Year Net Plant Balance (i)
1	*	Land and Support Assets	1952617	164952	20260	-45100	2052209		2052209
2	^	Land	70432	6000			76432		76432
3	^	Motor Vehicles	292911	36412	20260		309063	224289	84774
4	^	Aircraft							
5	^	Special Purpose Vehicles	2820				2820	2392	428
6	^	Garage Work Equipment							
7	^	Other Work Equipment							
8	^	Buildings	142254	1460		-45100	98614	34473	64141
9	^	Furniture	1377266	96043			1473309	124187	1349122
10	^	Office Equipment	250				250	56	194
11	^	General Purpose Computers	66684	25037			91721	5236	86485
12		Analog Electronic Switching	465123				465123	365049	100074
13		Digital Electronic Switching	3782735	198087	66371		3914451	572363	3342088
14		Electro-Mechanical Switching							
15		Operator Systems							
16		Radio Systems							
17		Circuit Equipment	981496	201086	107657	45100	1120025	144330	975695
18	*	Information Orig & Term Equip	155556		155556				
19	^	Station Apparatus							
20	^	Customer Premises Wiring							
21	^	Large Private Branch Exchanges							
22	^	Public Telephone Term. Equip.							
23	^	Other Terminal Equipment	155556		155556				
24		Poles	168912				168912	46620	122292
25	*	Cable and Wire Facilities	4611595	909959	172349	-4240	5344965		5344965
26	^	Aerial Cable	1000287	208448	120680		1088055	11595	1076460
27	^	Underground Cable	388096	611390			999486	67453	932033
28	^	Buried Cable	3142191	90121	51669	-4240	3176403	260853	2915550
29	^	Submarine Cable							
30	^	Deep Sea Cable							
31	^	Intrabuilding Network Cable	81021				81021	8021	73000
32		Aerial Wire	3586				3586	1108	2478
33		Conduit Systems	1332146	1140458			2472604	86248	2386356
34		<b>Totals</b>	13453766	2614542	522193	-4240	15541875	1954273	13587602

^ Subaccount of the account marked with a \*.

## Analysis of Plant Held for Future Use

Year: 1998

Line No.	Location and Description of Property (a)	Date Included in Account 2002 (b)	Book Cost of Property at Beginning of Year (c)	Additions During the Year (d)	Retirements During the Year (e)	Transfers and Adjustments Charges and (Credits) (f)	Book Cost of Property at End of Year (g)
1	NOT APPLICABLE						
2							
3							
4							
5							
6							
7							
8							
9							
10							
11							
12							
13							
14							
15							
16							
17							
18							
19							
20							
21							
22							
23							
24							
25							
26							
27							
28							
29							
30	Totals (Sum L.1 to L.29)						

Company Name: Valley Telecommunications, Inc.

SCHEDULE 13

Average Cost of Long Term Debt

Year: 1998

Line No.	Description (a)	Issue Date (b)	Maturity Date (c)	Principal Amount (d)	Gross Proceeds (e)	Net Proceeds (f)	Net Per \$100 (g)	Outstanding Per Balance Sheet (h)	Yield to Maturity (i)	Annual Net Cost (j)	Amortization of Premium or Discount (k)	Total Cost (%) (l)
1	RTFC - ACQUISITION	Apr-94	Apr-09	12572871	12572871			9637713				
2	RTFC - CONSTRUCTI	Aug-94	Aug-09	1349000	1327389			1238099				
3												
4												
5												
6												
7												
8												
9												
10												
11												
12												
13												
14												
15												
16												
17												
18												
19												
20												
21												
22												
23												
24												
25												
26												
27												
28												
29												
30	<b>Total</b>			13921871	13900260			10875812				

Cost of Preferred Stock										Year: 1998		
Line No.	Description (a)	Date of Issuance (b)	Method of Offering (c)	Call Redemption Price (d)	Par Value Of Issue (e)	Gross Proceeds Amounts (f)	Net Proceeds Amounts (g)	Net Proceeds Per \$100 (h)	Cost of Money (i)	Principal Outstanding (j)	Annual Cost (k)	Embedded Cost (l)
1	NOT APPLICABLE											
2												
3												
4												
5												
6												
7												
8												
9												
10												
11												
12												
13												
14												
15												
16												
17												
18												
19												
20												
21												
22												
23												
24												
25												
26												
27												
28												
29												
30	Totals (Sum L.1 to L.29)											



**Analysis of Common Stock**

**Year: 1998**

Line No.	(a)	Avg. Number of Shares Outstanding (b)	Book Value (per share) (c)	Earnings (per share) (d)	Dividends (per share) (e)	Retention Ratio (f)	Market Price High (g) Low (h)	Price/Earnings Ratio (i)
1	Year Ended December 31:	350	10000	2889		100.00%		3.47%
2								
3								
4								
5								
6								
7								
8	Month by Month Data:							
9	January							
10	February							
11	March							
12	April							
13	May							
14	June							
15	July							
16	August							
17	September							
18	October							
19	November							
20	December							
21								
22								
23								

## Capital Stock and Funded Debt Reacquired or Retired During the Year

Year: 1998

Line No.	Description of Security (a)	Call or Retirement Date (b)	Number of Shares (c)	Principal Amount (d)	Reacquisition or Retirement Cost (e)	Gain or (Loss) (f)	Retirement or Reacquisition (g)
1	NOT APPLICABLE						
2							
3							
4							
5							
6							
7							
8							
9							
10							
11							
12							
13							
14							
15							
16							
17							
18							
19							
20							
21							
22							
23							
24							
25							
26							
27							
28							
29							
30	Totals (Sum L.1 to L.29)						

## Total Company Expense Matrix

Line No.	Acct. No. (a)	Description (b)	Salaries and Wages (c)	Benefits (d)	Rents (e)	Other Expenses (f)	Clearances (g)	Total (h)
1	*	Network Support Expense	6272	2829		72910	-67944	14067
2	^	Motor Vehicle Expense	5777	2532		59449	-66462	1296
3	^	Aircraft Expense						
4	^	Special Purpose Vehicles Expense				28	-28	
5	^	Garage Work Equipment Expense						
6	^	Other Work Equipment Expense	495	297		13433	-1454	12771
7	*	General Support Expense	49614	26187	286733	48218		410752
8	^	Land and Building Expense	31665	16424	180748	37502		266339
9	^	Furniture and Artworks Expense						
10	^	Office Equipment Expense				10144		10144
11	^	General Purpose Computers Expense	17949	9763	105985	572		134269
12	*	Central Office Switching Expense	123852	77181		242480		443513
13	^	Analog Electronic Expense						
14	^	Digital Electronic Expense						
15	^	Electro-Mechanical Expense	123852	77181		242480		443513
16	^	Operator Systems Expense						
17	*	Central Office Transmission Expense	34222	22421	355166	2560		414369
18	^	Radio Systems Expense	86	50				136
19	^	Circuit Equipment Expense	34136	22371	355166	2560		414233
20	*	Information Origination/Termination Expense						
21	^	Station Apparatus Expense						
22	^	Large Private Branch Exchange Expense						
23	^	Public Telephone Terminal Equipment Exp.						
24	^	Other Terminal Equipment Expense						
25	*	Cable and Wire Facilities Expense	245282	155875	410139	121906		933202
26	^	Poles Expense			609			609
27	^	Aerial Cable Expense	92593	60336		78279		231208
28	^	Underground Cable Expense				970		970
29	^	Buried Cable Expense			409530	38451		696209
30	^	Submarine Cable Expense						
31	^	Deep Sea Cable Expense						
32	^	Intrabuilding Network Cable Expense						
33	^	Aerial Wire Expense						
34		<b>Subtotals</b>	459,242	284,493	1,052,038	483,868	(67,944)	2211697

^ Subaccount of the account marked with a \*

## Total Company Expense Matrix

Line No.	Acct. No. (a)	Description (b)	Salaries and Wages (c)	Benefits (d)	Rents (e)	Other Expenses (f)	Clearances (g)	Total (h)
35	^	Conduit Systems Expense				4206		4206
36	6510	Other Property Expenses	9514	5347		9240	-24101	
37	*	Network Operations Expense	73247	48639		61700	-15848	167738
38	^	Power Expense				36034		36034
39	^	Network Administration Expense						
40	^	Testing Expense	12026	8724		235		20985
41	^	Plant Operations Expense	61221	39915		15136	-15036	101236
42	^	Engineering Expense				10295	-812	9483
43		Access Expense				41775		41775
44		Depreciation - Telecomm. Plant in Service				1080376		1080376
45		Depreciation-Prop. for Future Telecom. Use						
46		Amortization Expense - Tangible						
47		Amortization Expense - Intangible						
48		Amortization - Other						
49	*	Marketing		1040		348897		348897
50	^	Product Management				14329		15369
51	^	Sales		1040		3489		4529
52	^	Product Advertising				10840		10840
53		Call Completion Services				4055		4055
54		Number Services	4732	2869		34548		42149
55		Customer Services	102214	77954		302158		482326
56		Executive	47004	21789		59910		128703
57		Planning						
58		Accounting and Finance	92381	56767		70109		219257
59		External Relations	53522	30700		88498		172720
60		Human Relations	34296	21633		26572		82501
61		Information Management						
62		Legal				10627		10627
63		Procurement	5442	2985		86		8513
64		Research and Development						
65		Other General and Administrative	52391	39379		157873		249643
66		Provision for Uncollectible Notes Receivable						
67		<b>Totals</b>	933,985	593,595	1,052,038	2,798,827	(107,893)	5270552

^ Subaccount of the account marked with a \*.

## Total State Expense Matrix

Line No.	Acct. No. (a)	Description (b)	Salaries and Wages (c)	Benefits (d)	Rents (e)	Other Expenses (f)	Clearances (g)	Total (h)
1	*	Network Support Expense	6272	2829		72910	-67944	14067
2	^	Motor Vehicle Expense	5777	2532		59449	-66462	1296
3	^	Aircraft Expense						
4	^	Special Purpose Vehicles Expense				28	-28	
5	^	Garage Work Equipment Expense						
6	^	Other Work Equipment Expense	495	297		13433	-1454	12771
7	*	General Support Expense	49614	26187	286733	48218		410752
8	^	Land and Building Expense	31665	16424	180748	37502		266339
9	^	Furniture and Artworks Expense						
10	^	Office Equipment Expense				10144		10144
11	^	General Purpose Computers Expense	17949	9763	105985	572		134269
12	*	Central Office Switching Expense	123852	77181		242480		443513
13	^	Analog Electronic Expense						
14	^	Digital Electronic Expense						
15	^	Electro-Mechanical Expense	123852	77181		242480		443513
16	^	Operator Systems Expense						
17	*	Central Office Transmission Expense	34222	22421	355166	2560		414369
18	^	Radio Systems Expense	86	50				136
19	^	Circuit Equipment Expense	34136	22371	355166	2560		414233
20	*	Information Origination/Termination Expense						
21	^	Station Apparatus Expense						
22	^	Large Private Branch Exchange Expense						
23	^	Public Telephone Terminal Equipment Exp.						
24	^	Other Terminal Equipment Expense						
25	*	Cable and Wire Facilities Expense	245282	155875	410139	121906		933202
26	^	Poles Expense			609			609
27	^	Aerial Cable Expense	92593	60336		78279		231208
28	^	Underground Cable Expense						
29	^	Buried Cable Expense				970		970
30	^	Submarine Cable Expense	152689	95539	409530	38451		696209
31	^	Deep Sea Cable Expense						
32	^	Intrabuilding Network Cable Expense						
33	^	Aerial Wire Expense						
34		<b>Subtotals</b>	459,242	284,493	1,052,038	483,868	(67,944)	2211697

^ Subaccount of the account marked with a \*

## Total State Expense Matrix

Line No.	Acct. No. (a)	Description (b)	Salaries and Wages (c)	Benefits (d)	Rents (e)	Other Expenses (f)	Clearances (g)	Total (h)
35	^	Conduit Systems Expense				4206		4206
36		Other Property Expenses	9514	5347		9240	-24101	
37	*	Network Operations Expense	73247	48639		61700	-15848	167738
38	^	Power Expense				36034		36034
39	^	Network Administration Expense						
40	^	Testing Expense	12026	8724		235		20985
41	^	Plant Operations Expense	61221	39915		15136	-15036	101236
42	^	Engineering Expense				10295	-812	9483
43		Access Expense				41775		41775
44		Depreciation - Telecomm. Plant in Service				1080376		1080376
45		Depreciation-Prop. for Future Telecom. Use						
46		Amortization Expense - Tangible						
47		Amortization Expense - Intangible						
48		Amortization - Other						
49	*	Marketing		1040		348897		348897
50	^	Product Management				14329		15369
51	^	Sales		1040		3489		4529
52	^	Product Advertising				10840		10840
53		Call Completion Services				4055		4055
54		Number Services	4732	2869		34548		42149
55		Customer Services	102214	77954		302158		482326
56		Executive	47004	21789		59910		128703
57		Planning						
58		Accounting and Finance	92381	56767		70109		219257
59		External Relations	53522	30700		88498		172720
60		Human Relations	34296	21633		26572		82501
61		Information Management						
62		Legal						
63		Procurement	5442	2985		10627		10627
64		Research and Development				86		8513
65		Other General and Administrative						
66		Provision for Uncollectible Notes Receivable	52391	39379		157873		249643
67		<b>Totals</b>	933,985	593,595	1,052,038	2,798,827	(107,893)	5270552

^ Subaccount of the account marked with a \*.

**Pension Costs**

Year: 1998

1	Plan Name: NTCA SAVINGS PLAN			
2	Defined Benefit Plan? _____	Defined Contribution Plan? <u>  X  </u>		
3	Actuarial Cost Method? <u>  12% of W-2 Wages  </u>	IRS Code: _____		
4	Annual Contribution by Employer: <u>  61101  </u>	Is the Plan Over Funded? <u>  NO  </u>		
5				
	Item	Current Year	Last Year	% Change
6	<b>Change in Benefit Obligation</b>	N/A		
7	Benefit obligation at beginning of year			
8	Service cost			
9	Interest Cost			
10	Plan participants' contributions			
11	Amendments			
12	Actuarial Gain			
13	Acquisition			
14	Benefits paid			
15	Benefit obligation at end of year			
16	<b>Change in Plan Assets</b>			
17	Fair value of plan assets at beginning of year			
18	Actual return on plan assets			
19	Acquisition			
20	Employer contribution	61101		-100.00%
21	Plan participants' contributions	51869		-100.00%
22	Benefits paid			
23	Fair value of plan assets at end of year	112970		-100.00%
24	<b>Funded Status</b>	112970		-100.00%
25	Unrecognized net actuarial loss			
26	Unrecognized prior service cost			
27	Prepaid (accrued) benefit cost	112970		-100.00%
28				
29	<b>Weighted-average Assumptions as of Year End</b>	N/A		
30	Discount rate			
31	Expected return on plan assets			
32	Rate of compensation increase			
33				
34	<b>Components of Net Periodic Benefit Costs</b>	N/A		
35	Service cost			
36	Interest cost			
37	Expected return on plan assets			
38	Amortization of prior service cost			
39	Recognized net actuarial loss			
40	Net periodic benefit cost			
41				
42	<b>Montana Intrastate Costs:</b>	N/A		
43	Pension Costs			
44	Pension Costs Capitalized			
45	Accumulated Pension Asset (Liability) at Year End			
46	<b>Number of Company Employees:</b>			
47	Covered by the Plan	10	10	
48	Not Covered by the Plan	3	3	
49	Active	10	10	
50	Retired			
51	Deferred Vested Terminated			

**Other Post Employment Benefits (OPEBS)**

	Item	Current Year	Last Year	% Change
1	<b>Regulatory Treatment:</b>	NOT APPLICABLE		
2	Commission authorized - most recent			
3	Docket number: _____			
4	Order number: _____			
5	Amount recovered through rates			0.00%
6	<b>Weighted-average Assumptions as of Year End</b>			
7	Discount rate			0.00%
8	Expected return on plan assets			0.00%
9	Medical Cost Inflation Rate			0.00%
10	Actuarial Cost Method			0.00%
11	Rate of compensation increase			0.00%
12	<b>List each method used to fund OPEBs (ie: VEBA, 401(h)) and if tax advantaged:</b>			
13				
14				
15	<b>Describe any Changes to the Benefit Plan:</b>			
16				
17	<b>TOTAL COMPANY</b>			
18	<b>Change in Benefit Obligation</b>			
19	Benefit obligation at beginning of year	0	0	0.00%
20	Service cost			0.00%
21	Interest Cost			0.00%
22	Plan participants' contributions			0.00%
23	Amendments			0.00%
24	Actuarial Gain			0.00%
25	Acquisition			0.00%
26	Benefits paid			0.00%
27	Benefit obligation at end of year	0	0	0.00%
28	<b>Change in Plan Assets</b>			
29	Fair value of plan assets at beginning of year	0	0	0.00%
30	Actual return on plan assets			0.00%
31	Acquisition			0.00%
32	Employer contribution			0.00%
33	Plan participants' contributions	0	0	0.00%
34	Benefits paid	0	0	0.00%
35	Fair value of plan assets at end of year	0	0	0.00%
36	<b>Funded Status</b>	0	0	0.00%
37	Unrecognized net actuarial loss			0.00%
38	Unrecognized prior service cost			0.00%
39	Prepaid (accrued) benefit cost	0	0	0.00%
40	<b>Components of Net Periodic Benefit Costs</b>			
41	Service cost	0	0	0.00%
42	Interest cost	0	0	0.00%
43	Expected return on plan assets	0	0	0.00%
44	Amortization of prior service cost			0.00%
45	Recognized net actuarial loss			0.00%
46	Net periodic benefit cost	0	0	0.00%
47	<b>Accumulated Post Retirement Benefit Obligation</b>			
48	Amount Funded through VEBA			0.00%
49	Amount Funded through 401(h)			0.00%
50	Amount Funded through Other _____			0.00%
51	TOTAL	0	0	0.00%
52	Amount that was tax deductible - VEBA			0.00%
53	Amount that was tax deductible - 401(h)			0.00%
54	Amount that was tax deductible - Other _____			0.00%
55	TOTAL	0	0	0.00%



## Other Post Employment Benefits (OPEBS) Continued

Year: 1998

	Item	Current Year	Last Year	% Change
1	<b>Number of Company Employees:</b>			
2	Covered by the Plan			0.00%
3	Not Covered by the Plan			0.00%
4	Active			0.00%
5	Retired			0.00%
6	Spouses/Dependants covered by the Plan			0.00%
7	<b>Montana</b>			
8	<b>Change in Benefit Obligation</b>			
9	Benefit obligation at beginning of year	0	0	0.00%
10	Service cost			0.00%
11	Interest Cost			0.00%
12	Plan participants' contributions			0.00%
13	Amendments			0.00%
14	Actuarial Gain			0.00%
15	Acquisition			0.00%
16	Benefits paid			0.00%
17	Benefit obligation at end of year	0	0	0.00%
18	<b>Change in Plan Assets</b>			
19	Fair value of plan assets at beginning of year	0	0	0.00%
20	Actual return on plan assets			0.00%
21	Acquisition			0.00%
22	Employer contribution			0.00%
23	Plan participants' contributions	0	0	0.00%
24	Benefits paid	0	0	0.00%
25	Fair value of plan assets at end of year	0	0	0.00%
26	<b>Funded Status</b>	0	0	0.00%
27	Unrecognized net actuarial loss			0.00%
28	Unrecognized prior service cost			0.00%
29	Prepaid (accrued) benefit cost	0	0	0.00%
30	<b>Components of Net Periodic Benefit Cccosts</b>			
31	Service cost	0	0	0.00%
32	Interest cost	0	0	0.00%
33	Expected return on plan assets	0	0	0.00%
34	Amortization of prior service cost			0.00%
35	Recognized net actuarial loss			0.00%
36	Net periodic benefit cost	0	0	0.00%
37	<b>Accumulated Post Retirement Benefit Obligation</b>			
38	Amount Funded through VEBA			0.00%
39	Amount Funded through 401(h)			0.00%
40	Amount Funded through other _____			0.00%
41	TOTAL	0	0	0.00%
42	Amount that was tax deductible - VEBA			0.00%
43	Amount that was tax deductible - 401(h)			0.00%
44	Amount that was tax deductible - Other			0.00%
45	TOTAL	0	0	0.00%
46	<b>Montana Intrastate Costs:</b>			
47	Pension Costs			0.00%
48	Pension Costs Capitalized			0.00%
49	Accumulated Pension Asset (Liability) at Year End			0.00%
50	<b>Number of Montana Employees:</b>			
51	Covered by the Plan			0.00%
52	Not Covered by the Plan			0.00%
53	Active			0.00%
54	Retired			0.00%
55	Spouses/Dependants covered by the Plan			0.00%

## Payments for Services to Persons Other Than Employees

Year: 1998

Line No.	Name of Recipient (a)	Nature of Service (b)	Total Company Cost (c)	Total State Cost (d)	Intrastate Cost (e)
1	NCDC	DATA SERVICES	249590	249590	249590
2	MONTANA INDEPENDENT				
3	TELEPHONE SERVICES	LEGAL	34585	34585	34585
4					
5					
6					
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46					
47					
48					
49	Total				

## Subscriber Line Usage Data

Year: 1998

Line No.	Description (a)	This Year (b)	% of Total (c)	Last Year (d)	% of Total (e)
1	Toll Usage:				
2	Interstate, InterLATA	22536979	59.36%	23071984	63.79%
3	Interstate, IntraLATA	10319	0.03%	15768	0.04%
4	<b>Total Interstate Usage</b>	22547298	59.39%	23087752	63.83%
5	Intrastate, InterLATA	9127906	24.04%	6663053	18.42%
6	Intrastate, IntraLATA	6290228	16.57%	6417376	17.74%
7	<b>Total Intrastate Usage</b>	15418134	40.61%	13080429	36.17%
8	<b>Total Toll Usage</b>	37965432	100.00%	36168181	100.00%
9	Centrex				
10	Local				
11	<b>Total Minutes</b>	37965432	100.00%	36168181	100.00%

## Central Office and Access Line Statistics

Year: 1998

Line No.	Wire Center (a)	Type of Office (b)	Residential (c)	ISDN (d)	ADSL (e)	Lifeline Customers (f)	Residential LMS Customers (g)	Single Line Business (h)	Multi-Line Business (i)	Customer Owned Coin (j)	Company Owned Coin (k)	Other (l)	% of Lines w/ T. Tone (m)	Total Access Lines (n)
1	GLASGOW CDO (228)	DIGITAL	1862			63		918				12		2792
2	WOLF POINT CDO (653)	DIGITAL	1335			69		624				13		1972
3	PLENTYWOOD CDO (765)	DIGITAL	984			36		409				7		1400
4	POPLAR CDO (768)	DIGITAL	693			27		458				6		1157
5														
6														
7														
8														
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27														
28														
29														
30														
31														
32														
33	<b>Total</b>		4874			195		2409				38		7321

NOTE: Additional blank schedules are being provided for your convenience.

## Central Office and Switch Information

Year: 1998

Line No.	Wire Center (a)	Office Configuration (Host, Remote, Stand alone) (b)	Type of Switch (c)	Switch Vendor/ Manufacturer (d)	Switch Model No. (e)	Switch Line Capacity (f)	Year Deployed (g)
1	GLASGOW	HOST	DIGITAL	NORTEL	DMS 10	2,890	1995
2	WOLF POINT	HOST	DIGITAL	NORTEL	DMS 10	2,041	1995
3	PLENTYWOOD	HOST	DIGITAL	NORTEL	DMS 10	1,456	1994
4	POPLAR	HOST	DIGITAL	NORTEL	DMS 10	1,312	1995
5	WOLF POINT	REMOTE	DIGITAL	NORTEL	RSC-S		1997
6							
7							
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NOTE: Additional blank schedules are being provided for your convenience.

## Construction Budget - Montana

Year: 1999

Line No.	Description (a)	1999 (b)
1	<b>Central Office Assets:</b>	
2		
3		
4		
5		
6		
7		
8		
9		
10		
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21		
22		
23		
24		
25		
26		
27	Total Switching and Central Office Projects over \$500,000	
28	Miscellaneous Central Office Projects not over \$500,000	225000
29	<b>Total Central Office Budget (Total of Line 27 &amp; Line 28)</b>	225000
30	<b>Other Projects over \$500,000:</b>	
31	NONE	
32		
33		
34		
35		
36		
37		
38		
39		
40		
41	Total Other Projects over \$500,000	
42	Miscellaneous projects not over \$500,000	
43	<b>Total Construction Budget (Total of Lines 29, 41 &amp; 42)</b>	225000

## Montana Employee Counts

Year: 1998

Line No.	Category (a)	Beginning of Year (b)	End of Year (c)
1	CENTRAL OFFICE TECHNICIANS	3	3
2	COMBINATION SERVICEMEN	7	6
3	SPECIAL SERVICES	1	1
4	CUSTODIAL (PART TIME)	3	3
5			
6			
7			
8			
9			
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40			
41			
42			
43	Totals (Sum of Lines 1 through 42)	14	13

## Compensation of Top 10 Montana Based Employees

Year: 1998

Line No.	Name/Title (a)	Base Salary (b)	Bonuses (c)	Other Compensation (d)	Total Compensation (e)	Total Compensation Last Year (f)	% Increase Total Compensation (g)
1	MANAGER/CEO	130000		5820 10912 15500	162232	150859	7.54%
2	OPERATIONS MGR. (HIRED OCT. '98)	78000			78000	N/A	#VALUE!
3	COE/NETWORK S SUPERVISOR	51294		2052 3847	57193	56084	1.98%
4	OFFICE MANAGER	67500	1000	2740 5137	76377	73032	4.58%
5	CELLULAR OPER. MGR.	63000	500	2578 4834 954	71866	68893	4.32%
6	DISTRICT SUPERVISOR	64700		2632 4936 1120	73388	71237	3.02%
7	PUBLIC AFFAIRS MGR.	62000		2567 4813 2173	71553	69085	3.57%
8	PLANT MANAGER	61037	500	2461 4615	68613	61883	10.88%
9	HUMAN RESOURCE MANAGER	51750		2197 4120 3185	61252	63163	-3.03%
10	SAFETY/LOSS SUPERVISOR	48410	500	1956 3668	54534	52962	2.97%
35% OF SALARY PAID BY NEMONT TELEPHONE 40% IS PAID BY VALLEY TELECOMMUNICATIONS, INC. 25% IS PAID BY PROJECT TELEPHONE COMPANY DUTIES ARE SHARED BY ALL 3 COMPANIES.							
11	Totals (Sum L.1 to L.10)	677691	2500	94817	775008	667198	16.16%



**Compensation of Top 5 Corporate Employees - SEC Information**

Line No.	Name/Title (a)	Base Salary (b)	Bonuses (c)	Other Compensation (d)	Total Compensation (e)	Total Compensation Last Year (f)	% Increase Total Compensation (g)
1	NOT APPLICABLE						
2							
3							
4							
5							
6	Totals (Sum L.1 to L.5)						

## Montana Composite Statistics

Year: 1998

Line No.	Account No.	Description (a)	Amount (b)
1		<b>Plant (Intrastate Only) (000 Omitted)</b>	
2	2001	Plant in Service	15541875
3	2003 - 2004	Construction Work in Progress	118747
4	2005	Plant Acquisition Adjustments	5233454
5	2002	Plant Held for Future Use	
6	1220	Materials & Supplies	
7		(Less):	
8	3100 - 3400	Depreciation & Amortization Reserves	-3524312
9	4360.2	Contributions in Aid of Construction	
10		<b>NET BOOK COSTS</b>	17369764
11		<b>Revenues &amp; Expenses (Intrastate Only) (000 Omitted)</b>	
12	5000 - 5300	Operating Revenues	8221910
13	6560	Depreciation & Amortization Expenses	1429273
14		Federal & State Income Taxes	460788
15		Other Taxes	737862
16		Other Operating Expenses	3841283
17		TOTAL Operating Expenses	6469206
18		Net Operating Income	1752704
19		Other Income	189718
20		Other Deductions	931256
21		<b>NET INCOME</b>	1011166
22		<b>Access Lines in Service (Intrastate Only)</b>	
23		Residential Access Lines	2409
24		Business Access Lines	4874
25		PBX Access Lines	
26		Other Access Lines	38
27		<b>Total Number of Access Lines</b>	7321
28		<b>Average Number of Calls Per Access Line</b>	
29		Local Calls	3148
30		Toll Calls (Intra- or Interstate)	430
31		<b>Total Number of Calls Per Access Line (Total of Line 29 &amp; Line 30)</b>	3578
32		<b>Other Statistics (Intrastate Only)</b>	
33		Average Residential Monthly Bill	44
34		Gross Plant Investment per Access Line	2854

## Depreciation - Montana Intrastate Regulated

Year: 1998

Line No.	Acct No. (a)	Description (b)	Composite Rate % (c)	Total Expense \$ (d)
1	2112	Motor Vehicles	25.0%	43,886
2	2114	Special Purpose Vehicles	25.0%	705
3	2115	Garage Work Equipment		
4	2116	Other work Equipment	8.0%	14,320
5	2121	Buildings	3.1%	43,288
6	2122	Furniture	7.5%	19
7	2123.1	Office Support Equipment		
8	2123.2	Company Communications Equipment	7.5%	5,194
9	2124	General Purpose Computers		
10	2211	Analog Electronic Switching Equipment	8.2%	232,562
11	2212	Digital Electronic Switching Equipment	8.2%	311,615
12	2215	Step By Step Switching Equipment		
13	2215	Crossbar Switching Equipment		
14	2220	Operator System		
15	2231	Radio Systems		
16	2232	Circuit DDS	8.2%	79,943
17	2232	Circuit Digital		
18	2232	Circuit Analog		
19	2351	Public Telephone Terminating Equipment		
20	2362	Other Terminal Equipment	9.2%	14,311
21	2411	Poles	9.2%	15,540
22	2421	Aerial Cable Metallic	9.2%	91,630
23	2421	Aerial Cable Nonmetallic	9.2%	1,741
24	2422	Underground Cable Metallic	9.2%	40,043
25	2422	Underground Cable Nonmetallic	9.2%	494
26	2423	Buried Cable Metallic	4.0%	125,558
27	2423	Buried Cable Nonmetallic	4.0%	447
28	2424	Submarine Cable Metallic		
29	2424	Submarine Cable Nonmetallic		
30	2426	Intrabuilding Network Cable Metallic	3.3%	2,655
31	2426	Intrabuilding Network Cable Nonmetallic	3.3%	19
32	2431	Aerial Wire	10.3%	369
33	2441	Conduit Systems	4.0%	57,413
34				
35		<b>COMPOSITE TOTAL</b>		
36				
37	Have these rates been approved by the Commission? ____ YES ____ X ____ NO			
38				
39	If yes: _____ Docket Number _____ Order Number			
40				

## Montana Regulatory Capital Structure &amp; Costs

Year: 1998

Line No.	Description (a)	% Cap. Str. (b)	% Cost Rate (c)	Weighted Cost (d)
	<b>Commission Accepted - Most Recent</b>			
1	Docket Number			
2	Order Number			
3				
4	Common Equity			
5	Preferred Stock			
6	Long Term Debt			
7	Other			
8	<b>Total</b>			
9				
10	<b>Actual at Year End</b>			
11				
12	Common Equity	39.00%	33.470%	13.053%
13	Preferred Stock			
14	Long Term Debt	61.00%	53.210%	32.458%
15	Other			
16	<b>Total</b>	100.00%		45.511%

## Network Access - Charges and Revenues

Year: 1998

Line No.	Description (a)	Access Charges Paid (b)	Access Revenues Received (c)
1	Montana - Total State		1241708
2			
3	Montana - Intrastate		1241708
4			
5	Montana - Intrastate Regulated		1241708
6			
7			
8			
9			
10			
11			
12			
13			

# **Affiliate Transactions - Products & Services Provided to Utility**

Year: 1998

Line No.	Affiliate Name (a)	Products & Services (b)	Method to Determine Price (c)	Charges to Utility (d)	% Total Affil. Revenues (e)	Charges to MT Utility (f)
1	NEMONT TELEPHONE	HEADQUARTERS LEASE	LEASE AGREEMENT	61,284	0.8%	
2		WAREHOUSE LEASE	LEASE AGREEMENT	80,844	1.0%	
3		TANDEM SWITCHING	LEASE AGREEMENT	60,312	0.7%	
4						
5	NEMONT COMMUNICATIONS	FIBER LEASE	LEASE AGREEMENT	764,636	13.7%	
6		COMPUTER LEASE	LEASE AGREEMENT	105,985	1.9%	
7						
8						
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12						
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24						
25						
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27						
28						
29						
30	<b>TOTAL</b>			\$1,073,061		

**Affiliate Transactions - Products & Services Provided by Utility**      Year: 1998

Line No.	Affiliate Name (a)	Products & Services (b)	Method to Determine Price (c)	Charges to Affiliate (d)	% Total Affil. Revenues (e)	Charges to MT Utility (f)
1	NEMONT TELEPHONE	SWITCHING CHARGES	LEASE AGREEMENT	384,528	5.0%	
2						
3	NEMONT COMMUNICATIONS	OFFICE & CDO RENT	LEASE AGREEMENT	17,436	1.1%	
4						
5	SAGEBRUSH CELLULAR	OFFICE & CDO RENT	LEASE AGREEMENT	15,828	0.5%	
6						
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28						
29						
30	<b>TOTAL</b>			\$417,792		

## Montana Intrastate Regulated Earned Rate of Return

Year: 1998

Line No.	Description Rate Base (a)	This Year (b)	Last Year (c)	Percent Change (d)
1				
2	2001 Plant in Service	15,541,875	13,453,765	15.52%
3	2002 Prop. Held for Future Telecommunications Use			
4	3100-3200 (Less) Accumulated Depreciation	(1,954,276)	(1,347,992)	-44.98%
5	<b>Plant in Service</b>	13,587,599	12,105,773	12.24%
6				
7	<b>Additions</b>			
8	1220 Materials & Supplies			
9	1280 Prepayments	10,167	49,529	-79.47%
10	Other Additions			
11	<b>TOTAL Additions</b>	10,167	49,529	-79.47%
12				
13	<b>Deductions</b>			
14	4100 Current Deferred Operating Income Taxes			
15	4320 Unamortized Operating Investment Tax Credits			
16	4340 Noncurrent Deferred Operating Income Taxes	1,030,486	835,375	23.36%
17	Customer Advances for Construction			
18	Other Deductions			
19	<b>TOTAL Deductions</b>	1,030,486	835,375	23.36%
20	<b>TOTAL Rate Base</b>	12,567,280	11,319,927	11.02%
21				
22	<b>Net Earnings</b>	1,011,166	1,679,135	-39.78%
23				
24	<b>Rate of Return on Average Rate Base</b>	8.046%	14.833%	-45.76%
25				
26	<b>Rate of Return on Average Equity</b>	14.779%	28.798%	-48.68%
27				
28	Major Normalizing Adjustments & Commission			
29	<u>Ratemaking adjustments to Utility Operations</u>			
30				
31				
32				
33				
34				
35				
36				
37				
38				
39				
40				
41				
42				
43	<b>Adjusted Rate of Return on Average Rate Base</b>			
44				
45	<b>Adjusted Rate of Return on Average Equity</b>			

**Other Taxes Paid**

Year: 1998

Line No.	Description (a)	Last Year (b)	This Year (c)
1	Montana Telephone Company License Tax	32188	38718
2	Montana Public Service Commission Tax	7109	9127
3	Montana Consumer Counsel Tax	2885	2911
4	911 Emergency Telephone Fee	29372	40422
5	Montana Telecommunications Access Service (TDD)	7810	8091
6	Montana Corporate License Tax		
7	Personal Property Tax	631734	637516
8	Real Property Tax		
9			
10			
11			
12	<b>Total</b>	711098	736785

Company Name: Valley Telecommunications, Inc.

**Universal Service Funds Received**

Year: 1998

Line No.	Description (a)	Last Year (b)	This Year (c)
13	Funds received from Montana Sources		
14	Funds received from Federal Sources	284312	858914
15			
16			
17			
18			
19			
20			
21			
22			
23			
24	<b>Total</b>	284312	858914